



Republican Policy Committee

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Congress Poised for Conference Agreement to H.R. 4 — Welfare Reform **Welfare As Welfare Was Intended**

On August 20, 1964, President Lyndon Johnson signed the Economic Opportunity Act into law, marking the beginning of America's "war on poverty" and welfare as we have come to know it. The challenge today is to reform a welfare system that has institutionalized three decades of unintended consequences and is a dim reflection of welfare's original purpose.

In signing the 1964 welfare act, President Johnson proclaimed, "*We are not content to accept the endless growth of relief rolls or welfare rolls,*" and promised the American people that "*the days of the dole in our country are numbered.*" With a first-year investment of \$947 million the bill would, according to Johnson, eventually "*result in savings to the country and especially to the local taxpayers*" from reductions in welfare caseloads, health care costs, and the crime rate.

Yet, 30 years later:

- ▶ Despite that promise, the number of children on the welfare rolls has grown from 3.3 million in 1965 to 9.6 million in 1993 (even though the Census Bureau reports that the number of children has declined by 5.5 percent since 1965), and combined federal, state, and local spending on welfare increased from \$38.4 billion in 1965 to \$324.3 billion in 1993 in constant welfare dollars [*Heritage Foundation: America's Failed \$5.4 Trillion War on Poverty*].
- ▶ Federal spending on health care for the poor has increased from \$1.8 billion in 1965 to \$123 billion in 1995 in nominal dollars. Even after adjusting for inflation, spending on health care for the poor has increased from \$7.9 billion in 1965 to \$116.8 billion in 1995 [*Congressional Research Service: 1995 Budget Perspectives: Federal Spending for Social Welfare Programs*].
- ▶ Far from seeing a reduction in the crime rate, according to the Bureau of Justice Statistics, the violent crime rate has increased 280 percent, from 200.2 violent crimes per 100,000 U.S. inhabitants in 1965, to 757.5 violent crimes per 100,000 inhabitants in 1992. Combined federal, state, and local spending on police and corrections activities in nominal dollars has increased from \$3.8 billion in 1965 (\$2.8 billion for police plus \$1 billion for corrections) to \$72.3 billion in 1992 (\$41.3 billion for police plus \$31 billion for corrections) [*U.S. Census Bureau Annual Report: Governmental Finances in the U.S.*].

The Opportunity for True Welfare Reform

On September 19, 1995, the Senate passed H.R. 4, Congress' welfare reform bill by a dramatically wider margin of support than President Johnson's welfare bill received in the Senate in

1964. (On July 23, 1964, 61 Senators voted in favor of the Johnson bill that launched the war on poverty; this year, 87 Senators voted in favor of reforming a welfare system that has failed to achieve any of President Johnson's stated objectives.)

The American people also support welfare reform in overwhelming numbers: 75 percent of Americans believe that the current welfare system encourages illegitimacy and dependency; 84 percent oppose increasing a welfare mother's monthly check if she has another child out-of-wedlock; and 90 percent of Americans feel that welfare recipients should have to work for their benefits.

Despite some wavering, President Clinton has also expressed his strong support for the kind of reform provided by H.R. 4. On June 6, 1995, President Clinton responded to the American people's call for welfare reform that stresses work and reduces illegitimacy by assuring the nation's governors that welfare programs "must be pro-family and pro-work," and echoing LBJ's promise to save money and reduce the deficit through welfare reform.

Be Careful What You Ask for Mr. President: You Just Might Get It

Shortly after Senate passage of H.R. 4, it looked as if President Clinton was going to deliver on all his promises to "end welfare as we know it." On September 19, 1995, Mr. Clinton emphatically endorsed the Senate welfare bill saying: "Now this bill they're debating in the Senate . . . has broad bipartisan support because it will help to move people from welfare to work and it will help families to stick together," and "if welfare reform remains a bipartisan effort to promote work, protect children and collect child support from people who ought to pay it, we will have welfare reform this year and it will be a very great thing." More recently, however, with House and Senate negotiations on the final welfare bill drawing to a close, and with the prospect of getting exactly the kind of bill he asked for all but a certainty — Mr. Clinton has begun backpedaling.

As the attachment (prepared by the House Ways and Means Committee) points out, the welfare reform bill Congress has fashioned more than meets the President half way. In fact, the *House and Senate conferees produced a bill that is in complete or substantial agreement with Administration's stated position on 85 percent of all issues, and in complete or substantial agreement with the Administration on 100 percent of the major issues raised by the Department of Health and Human Services on behalf of the President.* Although it is conceivable that the President might veto a welfare reform bill over the objections of Congress, that he might veto it over the objections of the American people, it is extremely difficult to conceive that the President would veto this bill over even his own objections.

Rather than vetoing a bill for which he has already expressed his support, the President could make further use of Lyndon Johnson's pen collection, not to veto his own promise of welfare reform, but to make good on a promise made 30 years ago by a Democratic President to provide disadvantaged Americans with "hand up" not a "handout."

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**Comparison of Administration Positions on Welfare Issues Raised by HHS with
Final Bill Resulting from House-Senate Conference
December 5, 1995**

What follows is a comparison of Administration recommendations on numerous welfare reform issues, as expressed in Secretary Shalala's letter of October 26, 1995 to House and Senate conferees. The analysis was performed by House Republican conferees. Page numbers refer to the page in Secretary Shalala's letter on which the Administration position was stated.

Also attached is a 2-page chart detailing whether specific provisions in the conference agreement are in complete, substantial, or no agreement with the detailed Administration positions. The summary at the close of the chart indicates that the conference agreement reflects conferees' complete or substantial agreement with Administration positions on 85 percent of all issues, and conferees' complete or substantial agreement with Administration positions on 100 percent of the major issues raised in the HHS letter.

MAJOR ISSUES

1. The safety net for vulnerable citizens must be retained. (page 1)

Republicans agree that the safety net must be maintained. On the other hand, government must avoid giving guaranteed, permanent benefits to people who do not work and who have children outside wedlock. The safety net cannot be allowed to become a hammock for millions of Americans. Thus, the Republican welfare reform bill, like the Senate amendment the Administration supports, would control the rate of growth of welfare spending. Under the conference agreement, programs affected by welfare reform (family support payments, child care, food stamps, supplemental security income, child nutrition, foster care and adoption, and social services block grant) will grow from \$83.2 billion in 1995 to \$111.5 billion in 2002. The rate of growth averages 4 percent per year as compared with an average rate of 5.8 percent under current law. The attached chart plots the growth of welfare spending under current law and under the Republican reform bill; detailed annual figures are provided in the attached table. The safety net remains intact, but grows at a more modest rate than under current law.

2. Child support enforcement must be strengthened. (page 11)

The child support provisions in the conference bill are in almost complete agreement with Administration positions. Both the House and Senate consulted with the Administration as their bills were being written and we have responded to a host of Administration comments during the conference. Nearly everyone who is involved in child support believes that the provisions in the conference bill are the toughest child support measures ever to pass Congress. There is every reason to believe that these measures will dramatically improve child support collections while improving efficiency. Equally important, they will provide mothers leaving welfare with a stream of income that will substantially increase the chances that they and their children will be able to remain off welfare.

Comparison of Administration Positions on Welfare Issues Raised by HHS with Final Bill Resulting from House-Senate Conference

Major Issues	Complete Agreement	Substantial Agreement	No Agreement
1. Preserve safety net for vulnerable citizens		✓	
2. Child support enforcement must be strengthened	✓		
3. Ensure adequate resources for child care	✓		
4. States should not be rewarded for cutting families from rolls	✓		
5. State option on cash for unmarried teen parents	✓		
6. Teens must stay at home and in school for benefits	✓		
7. No mandatory family cap		✓	
8. Require State maintenance of effort		✓	
9. Create contingency grant fund	✓		
10. Noncitizens not indefinitely restricted from most benefits		✓	
11. Naturalized citizens treated like other citizens	✓		
12. Provide resources for job training and education		✓	
13. Keep current child protection programs and rules		✓	
14. SSI reforms in the original House bill go too far		✓	
<u>Other Issues</u>			
1. States get credit if families leaving rolls for work or sanctioned		✓	
2. Allow vocational education as a credited work activity	✓		
3. Exempt families with under 6 child from work sanctions	✓		
4. Exempt families with under 6 child from working 20+ hours	✓		
5. Exempt families with child under 1 from work	✓		
6. Maintain child care health and safety standards	✓		
7. Prohibit transfers out of the child care block grant	✓		
8. Appropriate all child care authorizations		✓	
9. Modify spending counted in maintenance of effort	✓		
10. States count only Title IV spending in maintenance of effort	✓		
11. Emergency assistance should count in maintenance of effort	✓		
12. States must maintain spending to receive contingency funds	✓		
13. Contingency fund should be increased, especially in recession		✓	
14. Need added funds even if national unemployment is low		✓	
15. Contingency funds trigger on children receiving food stamps			✓
16. Exempt one parent of SSI child from work requirement		✓	
17. Performance bonus for States that succeed on work	✓		
18. Require personal responsibility contracts			✓
19. Preserve cash benefits and Medicaid for SSI kids	✓		
20. Current SSI kids should be exempted from eligibility changes		✓	
21. States may disregard SSI in setting cash welfare benefits			✓
22. Continue nutrition and Medicaid for kids despite 5-year limit		✓	
23. Allow exemptions from 5-year time limit		✓	
24. Exempt parents of disabled children from 5-year limit		✓	
25. Allow non-cash benefits for children despite 5-year time limit	✓		
26. Require teen parents to live in supervised setting for benefits	✓		
27. State option on "second chance" homes	✓		
28. Provide for streamlined paternity establishment	✓		
29. Provide for new hire reporting in child support	✓		
30. Provide for license revocation for failure to pay child support	✓		

Other Issues (continued)	Complete Agreement	Substantial Agreement	No Agreement
31. Provide for uniform interstate child support laws	✓		
32. Provide for computerized State child support collections	✓		
33. Do not require States to cut benefits if paternity not established	✓		
34. The \$50 pass-through should not be eliminated		✓	
35. "Children first" priority for all post-welfare child support		✓	
36. States meet performance levels for child support incentives		✓	
37. The illegitimacy bonus is unworkable and encourages abortion		✓	
38. Noncitizen deeming should be extended	✓		
39. Sponsors not have to show income above 200% of poverty	✓		
40. Disabled and over-75 excepted from noncitizen restrictions			✓
41. Don't restrict Title XX & discretionary programs to noncitizens		✓	
42. Refugees should be able to naturalize before any restrictions	✓		
43. Application of Medicaid restrictions on noncitizens		✓	
44. Sponsorship agreements should be legally binding	✓		
45. Any blanket ineligibility rule should be time limited	✓		
46. Blanket ineligibility provide excepted classes and programs	✓		
47. Blanket ineligibility should except current beneficiaries	✓		
48. Limit deeming to programs currently subject to deeming			✓
49. Except certain programs from deeming requirements	✓		
50. Deeming period should extend only to citizenship	✓		
51. The disabled should be excepted from deeming requirements			✓
52. Make sponsorship legally binding and apply to deeming period	✓		
53. Current deeming formulas should be retained			✓
54. Don't broaden number of programs that must verify legal status			✓
55. Change the definition of "lawfully present" in bill	✓		
56. States must provide certain benefits to legal noncitizens	✓		
57. States must provide benefits to certain classes of noncitizens	✓		
58. Do not require Federal agencies to report illegals to INS			✓
59. Provide funding for evaluation of State welfare reforms	✓		
60. Let Secretary fund evaluations of ongoing waiver projects	✓		
61. Support the national random-sample study of welfare families	✓		
62. Continue current staff levels at HHS and other Federal agencies			✓
63. Provide strong measures to ensure fiscal accountability	✓		
64. Let HHS control selected accountability measures	✓		
65. States should report extensive data on a disaggregated basis	✓		
66. Don't let counties operate separate cash welfare program	✓		
67. Retain current requirement that aged SSI is available at 65			✓
68. Provide more drug treatment funds through current block grant	✓		
69. Allow States to continue ongoing waiver projects	✓		
70. States must pay cost overruns from terminated waivers			✓
71. Retain the worker displacement provision in the Senate bill	✓		
72. Accountability by government and non-government agencies	✓		
73. Require consultation with local government and private groups	✓		
74. Don't require organizations getting Federal funds to disclose it			✓
Major Issue Breakdown	50%	50%	0%
Other Issues Breakdown	62%	20%	18%
Overall Breakdown	60%	25%	15%
--Complete and Substantial Agreement vs. No Agreement	85%	vs.	15%

3. Welfare reform must ensure adequate resources for child care. (page 1)

Conferees went beyond the position taken by the Administration. More specifically, the conference agreement provides \$17 billion in a single child care and development block grant (CCDBG), available to States under flexible conditions and without many of the mandates in current law. As shown in the table below, the Congressional Budget Office estimates that the conference agreement provides States with a total of \$17.0 billion over 7 years in budget authority to spend on child care. By contrast, the House bill provided \$14.7 billion, current law would provide \$15.8 billion, and the Senate amendment provided \$16.9 billion. The conference agreement also provides more mandatory spending than the other bills and fully \$0.8 billion more than current law. Thus, the conference agreement provides more budget authority and more mandatory spending than has been previously contemplated.

**Child Care Spending in House Bill,
Senate Amendment, Current Law, and Conference Agreement**

Source	Discretionary Spending	Mandatory Spending	Total
House Bill	\$14.7	0	\$14.7
Current Law	6.5	9.2	15.8
Senate Amendment	7.0	9.9	16.9
Conference Bill	7.0	10.0	17.0

Note. CBO estimates of budget authority in billions of dollars over the years 1995 through 2002

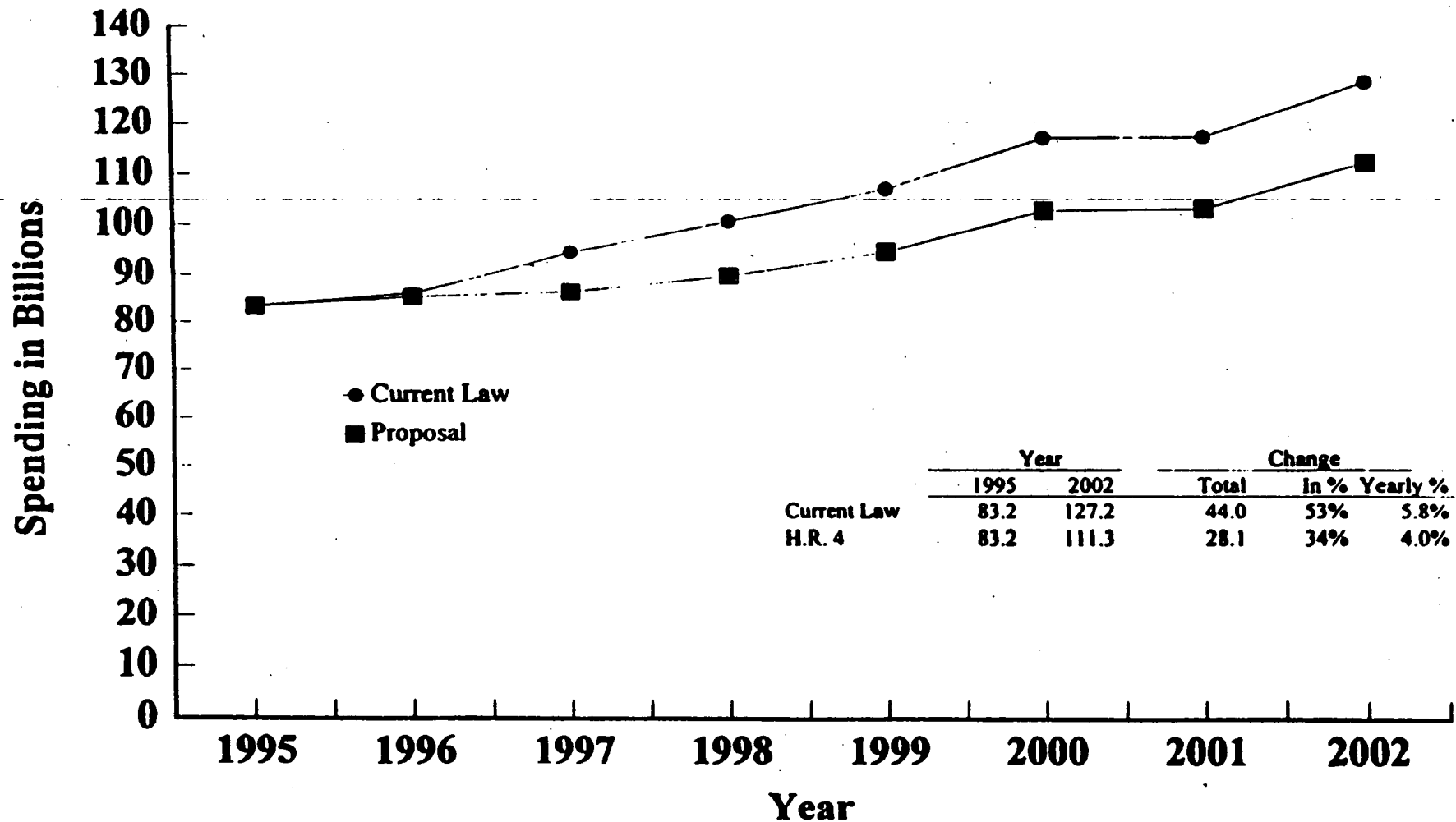
4. States should be rewarded for moving people from welfare to work, not for cutting them from the rolls. (page 1 and page 7)

Consistent with the Administration position, Conferees decided to follow the Senate amendment which prevents States from changing their eligibility criteria and then counting the resultant caseload reductions toward fulfillment of their required work participation rates.

5. States should not be prohibited from providing cash benefits to unmarried teen mothers. (page 10)

Conferees have reached a compromise on this issue that is consistent with the Administration position. The issue of cash for unwed teen parents has been one of the most controversial issues in the welfare debate. House Republicans continue to believe that the nation should stop cash subsidies for behavior that is clearly detrimental to the teens themselves as well as their children and communities. But in view of the strong opposition from the Administration and the Senate, we have agreed to drop our demand for a national prohibition on cash and to allow States to decide for themselves whether to continue cash payments for illegitimate births. We were convinced, in part, to adopt this position because many of the nation's governors have informed us of their intention to end cash payments. We are confident that, within several years, evaluation will show this policy to be effective in reducing the incidence

Comparison of Direct Spending Under Current Law and H. R. 4



Note. Programs included in this analysis are the temporary assistance for needy families block grant, child care, food stamps, supplemental security income, child nutrition, foster care, and the social services block grant. Figures are based on preliminary CBO budget estimates of H.R. 4.

**Comparison of Direct Spending Under
Current Law and Conference Agreement on H.R. 4, 1995-2002**

	Year								Total (or Average)
	1995	1996	1997	1998	1999	2000	2001	2002	
PROJECTED SPENDING UNDER CURRENT LAW									
Family Support Payments	18,223	17,449	17,843	18,279	18,827	19,433	20,059	20,705	150,818
Child Care	0	1,095	1,205	1,255	1,305	1,360	1,418	1,479	9,117
Food Stamp Program	26,245	26,935	28,620	30,164	31,706	33,406	35,035	36,603	248,714
Supplemental Security Income	24,322	24,497	29,894	32,967	36,058	42,612	39,287	46,511	276,148
Child Nutrition	7,985	8,499	9,065	9,665	10,291	10,922	11,576	12,256	80,259
Foster Care	3,540	4,146	4,508	4,930	5,356	5,809	6,297	6,836	41,422
Social Services Block Grant	2,920	3,190	3,100	2,945	2,840	2,805	2,800	2,800	23,400
Total	83,235	85,811	94,235	100,205	106,383	116,347	116,472	127,190	829,878
Percent Change from Previous Year	na	3.00%	8.94%	5.96%	5.81%	8.56%	0.11%	8.43%	5.83%
PROJECTED SPENDING UNDER H.R. 4									
Family Support Payments	18,223	17,816	17,775	18,095	18,223	18,075	18,692	18,770	145,669
Child Care	0	1,053	1,233	1,312	1,392	1,490	1,613	1,733	9,826
Food Stamp Program	26,245	26,017	25,287	26,100	27,330	28,778	29,984	31,159	220,900
Supplemental Security Income	24,322	24,363	26,423	28,011	30,588	36,269	33,598	39,971	243,545
Child Nutrition	7,985	8,389	8,502	8,890	9,363	9,921	10,471	11,036	74,557
Foster Care	3,540	4,232	4,244	4,581	4,963	5,385	5,839	6,344	39,128
Social Services Block Grant	2,920	3,190	2,596	2,385	2,280	2,245	2,240	2,240	20,096
Total	83,235	85,060	86,060	89,374	94,139	102,163	102,437	111,253	753,721
Percent Change from Previous Year	na	2.15%	1.16%	3.71%	5.06%	7.85%	0.27%	7.92%	4.02%

Note: The figures in this table are Ways and Means calculations based on figures supplied by the Congressional Budget Office. Estimates are in millions of dollars.

of illegitimacy.

6. Benefits for teen parents should be conditioned on their staying in school and living at home. (page 10)

The conference report follows the Administration position in every respect. Payments to teen parents must be conditioned on the teen parent staying at home or in another adult supervised setting and on staying in school.

7. States should not be required to place a "family cap" on benefits for families already on welfare. (page 10)

The conference agreement represents a compromise with the Administration position. Conferees decided to replace the absolute Federal prohibition on additional cash for additional births to families on welfare with a type of State option (known as an "opt-out") to avoid the prohibition. In accord with this policy, States electing to provide additional cash to families that have additional children when the family is already on welfare must enact legislation exempting themselves from the Federal requirement. In addition, both the House bill and Senate amendment, as well as the conference agreement, allow States to use State money to provide cash to these families and to provide families with noncash forms of assistance using Federal dollars.

8. Welfare reform must prevent a "race to the bottom" by ensuring that States maintain current spending levels. (page 2)

Conferees were aware of the fact that "the Administration strongly supports" the Senate's 80 percent State maintenance of effort requirement. In response to the position of the Senate and the Administration, House conferees agreed to require States to maintain 75 percent of their 1994 spending level, including child care spending. This was a significant concession on the part of the House, whose version of welfare reform included no maintenance of effort requirement.

9. Welfare reform must provide an adequate contingency grant fund. (page 4)

Conferees agreed with the Administration, which your letter states "prefers the Senate contingency fund provisions" over the House position because the House provided for only a loan fund. In fact, conferees decided to create both a cash contingency fund and a loan fund. Thus, conferees agreed on an \$800 million contingency grant fund to be distributed under the rules of the Senate amendment. Conferees also agreed to increase the loan fund from the House level of \$1 billion to the \$1.7 billion level favored by the Senate and the Administration.

10. Noncitizens should not be indefinitely ineligible for assistance from a wide range of means-tested programs. (page 12)

The conference agreement represents a compromise between the House bill, the Senate amendment, and the position favored by the Administration. Noncitizens (with certain

exceptions) would be ineligible for only SSI and food stamps until attaining citizenship (under the House bill, noncitizens would have been ineligible for SSI, food stamps, AFDC, Medicaid and Title XX services). Noncitizens arriving after the date of enactment would face a broader restriction on benefits, but only for their first 5 years in the U.S. After 5 years, SSI and food stamps would be the only programs for which most noncitizens would remain ineligible. For current resident noncitizens and for noncitizens arriving after the date of enactment, States would have the option of providing benefits once the noncitizen has resided in the U.S. for 5 years. Refugees, asylees, veterans and active duty military personnel, as well as persons who have worked at least 10 years in the U.S., would remain eligible for benefits under the conference bill. All noncitizens would be eligible to receive emergency medical services, disaster assistance, immunizations, and treatment for communicable diseases.

11. Welfare reform should not discriminate against U.S. citizens by denying benefits to legal immigrants after they have naturalized. (page 12)

The conference agreement is identical to the Administration position, that is, deeming and sponsorship are in effect until the noncitizen naturalizes, but not after.

12. Real work requirements must be backed up with resources for job placement, education, and training. (page 1)

Permitting States to use block grant funds to promote work has always been a purpose of this legislation, and States will have a completely free hand in doing so. What's more, the conference agreement follows the Senate amendment in explicitly permitting the use of block grant funds to operate an employment placement program. In addition, Congress will soon send the President separate legislation consolidating about 100 employment and training programs into 4 streamlined block grants that provide about \$5 billion per year for precisely this purpose. Combining funds from the \$16.3 billion per year basic block grant, the \$17 billion (over 7 years) child care block grant, and the \$5 billion annual employment and training block grant will provide States with a wide array of funding to operate their work programs.

13. Keep the current system of multiple categorical programs for protecting abused and neglected children. (page 8)

The position conferees adopted on child protection is a compromise between the House, the Senate, and the Administration. The House made a major concession by agreeing to the Administration's desire to retain the open-ended entitlement money for foster care and adoption maintenance payments. Thus, States will continue to have access to open-ended entitlement money to pay maintenance payments for poor children placed in foster care or adoption. Conferees also agreed to the child protection standards favored by the Senate and the Administration. The House provision on creating large block grants did prevail, however, for most of the remaining programs. Conferees created a large block grant for child protection, with entitlement funding rising from \$1.7 billion to \$2.6 billion over 7 years. States have complete flexibility in how the funds in this block grant are to be used. Conferees also created a second block grant that provides States with additional funds for services and the Secretary with funds for research, demonstration, and technical assistance.

14. Republican reforms of the SSI program go too far. (page 8)

The conference agreement follows the Administration position in support of providing cash benefits for every child who qualifies for the Supplemental Security Income program. In keeping with the findings of the Slattery Commission, the House and Senate bills, and various Democratic alternative reform bills, conferees believe the children's disability program is in need of significant changes. Accordingly, the conference agreement targets benefits to the most severely disabled children and refocuses eligibility criteria so that only children with serious impairments will be eligible for benefits. Even after these changes take effect, the Congressional Budget Office estimates that there will be twice as many children on SSI as there were only 5 years ago. Further, SSI spending on children will rise from \$4.7 billion in 1995 to \$5.5 billion in 2002, an increase of over 40 percent.

OTHER ISSUES

1. In calculating participation rates, States should receive credit for both families that have recently left welfare for work and for sanctioned individuals. (page 6)

The conference agreement generally follows the Administration position. Net reductions in the welfare caseload attributable to work or marriage are counted, and sanctioned individuals are subtracted from the denominator in determining monthly rates. The bottom line for conferees is that participation rates should reflect the true number of people receiving welfare benefits who are working, not a watered-down reflection of that figure.

2. Vocational education should count toward meeting the work participation rates. (page 7)

The conference agreement follows the Administration position with regard to vocational education. More specifically, vocational education can be credited toward fulfilling a State's participation rate requirement for up to 20 percent of the work requirement.

3. There should be no penalties against families with a child under 6 that don't work because they can't find child care. (page 2)

The conference agreement follows the Administration position on allowing parents who cannot find child care to avoid work but adds the condition that the burden of proof that child care is unavailable rests on the parent.

4. States should be allowed to exempt parents with children under 6 from having to work more than 20 hours per week. (page 2)

The conference agreement follows the recommendation by the Administration.

5. States should be allowed to exempt families with a child under age 1 from having to work. (page 2)

The conference agreement follows the Administration's recommendation by allowing States to exempt families with a child under age 1 from having to work.

6. Current State efforts to ensure quality child care and set health and safety standards should be maintained. (page 2)

The conference agreement follows the Administration's recommendation.

7. States should be barred from transferring money out of the child care block grant. (page 2)

Conferees agreed to follow the Administration position by prohibiting transfers out of the child care and development block grant. The agreement also allows money to be transferred into the child care block grant. In addition, because the final cash welfare block grant is almost \$1 billion per year larger than in the House-passed bill, there is a greater chance that States will transfer funds into the child care block grant to expand child care services.

8. The full amount authorized for the Child Care and Development Block Grant should be appropriated. (page 2)

As described above, \$10 billion out of a total of \$17 billion in the child care block grant is mandatory spending -- a full \$2 billion above the amount guaranteed in the Senate amendment. Further, if Congress passes and the President signs into law a balanced budget plan, appropriators are likely to approve the remaining \$7 billion in future years.

9. The expenditures counted toward meeting State maintenance of effort requirements should be modified. (page 3)

Conferees agreed to a compromise provision on maintenance of effort. The State expenditures that count toward maintenance of effort are cash assistance, child care, education, administrative costs, and a few similar expenditures intended to help poor families. Explicitly disallowed are: spending based on Federal funds; spending on Medicaid; and spending used to meet the matching requirements of other Federal programs.

10. States should be permitted to include only expenditures allowable under parts A and F of Title IV in meeting maintenance of effort requirements. (page 3)

See #9 above.

11. Emergency assistance payments should be excluded from allowable expenditures counted in meeting State maintenance of effort requirements. (page 3)

Given that the block grant eliminates the Emergency Assistance program, this recommendation is impossible to implement.

12. States should maintain 100 percent of their former spending to be eligible to receive grants from the contingency fund. (page 4)

The conference agreement follows the Administration position; States are required to maintain 100 percent of former spending to qualify for the contingency fund.

13. The base funding level in the contingency fund should be increased (page 4); additional funds should be made available if the national economy were severely troubled. (page 5)

Conferees did not follow the Administration position on money for the contingency fund. We recognize the Administration's concerns about the adequacy of the \$800 million grant fund but believe that it makes sense to start with a basic fund, with the understanding that the fund can be replenished if necessary in times of severe economic distress. Congress regularly makes such decisions with regard to emergency unemployment benefits; Congress should act in a similar manner if demands for welfare benefits rise unexpectedly. Because the basic cash welfare block grant is almost \$5 billion greater than the House-passed bill, States should be able to reserve some of their own funds, thereby reducing pressure for greater up-front spending from the national contingency fund.

14. Added funding should be available to States that experience severe conditions even if the national unemployment rate does not exceed 6.5 percent. (page 6)

As described above, providing additional funds would be a proper decision for Congress to make as conditions warrant. It should be noted, however, that every attempt to make it easier for States to access Federal contingency funds reduces pressure on States to budget wisely and to reserve part of their own block grant for times of distress. We wish to avoid reestablishing the perverse incentives welfare reform is designed to overturn. For example, States that behave irresponsibly and do not conserve taxpayer funds would be rewarded over States that act prudently and truly replace the welfare culture with one of work and independence. Under the conference agreement, Congress would have the ability to make decisions about which States merit added funding.

15. A trigger based on the number of children receiving food stamps should be added to the contingency fund. (page 5)

Especially for States that opt to receive food stamp funding in the form of a block grant, it is easy to imagine how the number of children receiving benefits could vary widely given decisions in individual States to offer, for example, minimal food stamp benefits to many children or relatively larger food stamp benefits to fewer children. Such decisions would render the added trigger suggested by the Administration either meaningless or subject to State gaming. Thus, conferees adopted the Senate approach that ties eligibility for the contingency fund solely to a State's unemployment rate -- an objective standard that States would have little ability to manipulate.

16. At least one parent of a disabled child receiving Supplemental Security Income (SSI) payments should be exempt from the work requirements. (page 7)

The conference agreement permits States to exempt up to 15 percent of their caseload from the 5-year lifetime limit, a compromise specifically intended to benefit families in distress

such as those with disabled children. And families may receive Federal block grant benefits for up to 2 years without working. Conferees, however, want to create a clear connection between welfare and work: every family (unless excepted by States because they have a child under age 1) must eventually work in exchange for Federal welfare benefits. States may choose to use State dollars to pay cash welfare benefits to families with children on SSI.

17. Performance bonuses should be available for States that succeed in moving families into work. (page 7)

The conferees agree with both goals supported by the Administration. First, States that are the most successful and the most improved in moving families into work will be eligible to reduce their required level of State spending by up to 8 percentage points. States that excel in moving families off welfare and into work should be rewarded by being allowed to reduce their welfare spending, or by being allowed to reserve funds for later use during economic downturns. Second, the decision to reward States by allowing reduced State spending rather than by providing a cash bonus eliminates the need to reduce block grants, as is required in the Senate performance structure under which some States would lose Federal funds so that others could receive added funds.

18. Personal responsibility contracts will ensure that recipients are moving toward work and self-sufficiency. (page 7)

Personal responsibility contracts may prove useful in moving families toward independence from welfare. However, the decision to use them should be left to individual States. Given that States will receive fixed block grants and face stiff work requirements, States should be trusted to find the most efficient and cost-effective approaches possible.

19. Welfare reform should preserve cash benefits and categorical Medicaid coverage for SSI children. (page 8)

The conference agreement is a compromise that meets the Administration's goal of providing cash benefits for children who qualify for SSI. The most severely disabled children who require personal assistance to remain in the home will be eligible for full cash benefits; other children will receive 75 percent of the maximum benefit. In addition, the Medicaid provisions included in the Balanced Budget Act of 1995 guarantee Medicaid coverage to children on SSI.

20. Children now on SSI should be exempted from new eligibility rules. (page 9)

Children now on SSI under an individualized functional assessment (IFA), which would be eliminated under the House bill, the Senate amendment, and also the Democratic substitute in the House, would remain eligible for benefits until January 1, 1997. The Social Security Administration must conduct disability reviews on all children enrolled under an IFA, so that none will lose benefits if they meet the criteria used to determine SSI eligibility for children applying in the future. To allow a lower standard for children who happen to now be on the rolls would be unfair to children with the same degree of disability who would be denied benefits simply because they applied in the future.

21. States should be allowed to disregard SSI payments in determining cash welfare eligibility. (page 9)

The conference agreement would not permit States to disregard SSI payments in setting cash welfare eligibility. Conferees believe that any income (with the exception of child support payments) should be considered when States determine eligibility for cash welfare assistance. It would be unfair for States to ignore, for example, \$4,000 in SSI income that one family receives while counting \$4,000 in wages for another in setting cash welfare benefits. Cash welfare is designed to assist families in need, based on a true picture of the family's resources.

22. Despite time limits, children should continue to receive Medicaid and nutrition assistance. (page 9)

States would have the option of continuing Medicaid coverage and nutrition assistance for all children regardless of time limits affecting a family's eligibility for cash welfare.

23. States should be allowed to exempt up to 20 percent of their caseload from the 5-year time limit. (page 9)

Conferees compromised between the House's 10 percent and the Senate's 20 percent exemption, so that the conference agreement allows an exemption of up to 15 percent. Conferees are confident that this level will provide States with more than enough flexibility to provide for families in extreme need. Arguing for higher exemptions by applying assumptions based on current caseload figures -- when there are no limits on welfare receipt -- simply won't work. Reforms have proven that, once families know there will be limits on the receipt of welfare (especially if combined with real work requirements), many get off the rolls quickly or never enroll, viewing their welfare eligibility as "insurance" to preserve for only the direst circumstances. Moreover, neither the Administration nor any other source has good information on what percentage of the caseload is so afflicted with problems that they cannot attain independence through work or marriage. Thus, conferees compromised at 15 percent, with the realization that Congress may need to revisit this decision as States begin to implement welfare reform in earnest.

24. States should be allowed to exempt parents of disabled children on SSI from the 5-year time limit; these parents should not be counted against the State's general exemption limit. (page 9)

Conferees intend and expect the 15 percent exemption from the 5-year time limit to be used by States to assist families that include disabled children. A blanket Federal exemption would deny State discretion in helping only the most needy, and would also guarantee a special class of thousands of families receiving cash welfare (and SSI) indefinitely. This should not be the goal of real welfare reform.

25. States should be allowed to provide non-cash assistance to children who lose benefits due to the time limit. (page 9)

The conference agreement is consistent with the Administration position. States may use State funds to provide cash and non-cash benefits to families losing eligibility for Federal benefits as a result of the 5-year-time limit. Further, States could continue providing Federal cash payments to 15 percent of their caseload after the 5-year limit.

26. Teen parents should be required to live in adult supervised settings. (page 10)

The conference agreement is in accord with the Administration position on living arrangements of teen parents.

27. "Second Chance" homes should be an option for teens in abusive situations. (page 10)

The conference agreement on "Second Chance" homes follows the Administration recommendation.

28. Welfare reform should provide for streamlined paternity establishment. (page 11)

The conference agreement follows the position the Administration supports.

29. Welfare reform should provide for new hire reporting. (page 11)

The conference agreement follows the position the Administration supports.

30. Welfare reform should provide for license revocation for parents who fail to pay child support. (page 11)

The conference agreement follows the position the Administration supports.

31. Welfare reform should provide for uniform interstate child support laws. (page 11)

The conference agreement follows the position the Administration supports.

32. Welfare reform should provide for computerized State collections. (page 11)

The conference agreement follows the position the Administration supports. Furthermore, we increased the \$260 million for this purpose originally favored by the Administration to \$400 million, the amount the Congressional Budget Office says will be required to create fully computerized systems in all States.

33. States should not be required to reduce payments to parents of children whose paternity is not established. (page 11)

The conference agreement modified the House position on this issue to be consistent with the Administration's position. More specifically, conferees removed the mandatory penalty of \$50 or 15 percent of benefits until paternity is established. Instead, conferees would give States the option of reducing benefits for families with a child whose paternity is not

established.

34. The \$50 pass-through should not be eliminated. (page 11)

After long debate, conferees decided to end the \$50 passthrough. A major principle we followed in designing our reforms was to make welfare less attractive than work. In the case of child support, we ended the \$50 passthrough that provides mothers with an additional \$50 as long as they stay on welfare. But we replaced the \$50 passthrough with a new system for distributing collections on child support arrearages once the mother leaves welfare. More specifically, we required States, which now keep most arrearage payments until State and Federal spending on cash welfare is repaid, to split arrearage payments with mothers. This action, of course, provides mothers who have left welfare with another stream of income that may make the difference between retaining independence and falling back into the welfare trap. In addition, we ended the \$50 passthrough both because it is an immense administrative burden on the States and because there is no evidence it entices mothers to cooperate in collecting child support from nonresident parents.

35. There should be a "children first" priority for all child support arrangements paid to the family after they have left welfare. (page 11)

As explained in #34 above, conferees decided to compromise on this issue by splitting the arrearage payments between mothers and the government. All collections on current support would go first to the resident parent and children. Collections on past-due support, which are now retained by the State and Federal governments, would be split between children and the government.

36. States should meet performance levels to be eligible for child support incentive payments. (page 11)

We agree with the Administration position on incentive payments. However, after careful study, we have concluded that we do not have enough information to create an effective incentive system. In creating such a system, it is especially important that we have good measures of performance that are widely accepted as central to the mission of child support and that can be measured with accuracy. It is our intent, stated in the Conference Report, to return to this issue early next year. In fact, we asked the Secretary to provide Congress, by June of next year, with the details of a new incentive system the Administration could support. We intend to work closely with the Administration in creating a new, cost-neutral incentive system that will actually contribute to improving child support performance.

37. The illegitimacy bonus is unworkable and encourages abortion. (page 11)

The conference agreement includes an illegitimacy bonus that combines elements from both the House and Senate bills. Especially given that House conferees compromised on both the family cap and the denial of cash for minor unmarried mothers (with both becoming State options), conferees feel strongly about having at least one national policy that encourages marriage and discourages out-of-wedlock births. The conference agreement makes clear that ~~States with abortion rate increases are not eligible for any bonus for reducing illegitimacy, so~~

there is no way this policy could promote abortion. We have been consistently perplexed about the Administration's position on illegitimacy. The President has repeatedly stated that illegitimacy is a disaster for children and the nation, even stating on one occasion that fighting illegitimacy should be one of the central goals on the nation's domestic policy agenda. Yet the Administration consistently opposes any policy we devise to attack illegitimacy.

38. Deeming should be extended to hold sponsors responsible for noncitizens they have promised to support. (page 12)

Conferees completely agree. With limited exceptions, a sponsor's income would be deemed to the noncitizen until the sponsored individual becomes a citizen. Combined with other sponsorship provisions, this action ensures that sponsors are held to their commitment of supporting noncitizens which in turn ensures that taxpayers will not wind up supporting welfare payments for adults who come to America for opportunity.

39. Individuals should not have to demonstrate income of at least 200 percent of poverty in order to become a sponsor. (page 12)

This condition was dropped from the conference agreement, as the Administration proposed.

40. Immigrants who become disabled after entering the country and the aged over 75 should be eligible for benefits. (page 12)

Under the conference agreement, noncitizens who now reside in the U.S. will remain eligible for all benefits, except SSI and food stamps (States would have the option of restricting cash welfare, Medicaid and Title XX social services). As a result, noncitizens now in the country would be eligible to receive greater benefits, including Medicaid coverage, than under the House-passed bill. There would no longer be specific exceptions for individuals who become disabled or are over 75. However, it should be noted that, especially for those over 75, almost all entered the country under sponsorship agreements and with the understanding that for the noncitizen to become dependent on government assistance prior to citizenship would be a deportable offense. The conference agreement therefore enforces current law, with reasonable conditions and exceptions.

41. Benefit restrictions should not apply to discretionary programs and such mandatory programs as Title XX social services. (page 12)

For current residents, no such restrictions would apply (except if States choose to restrict eligibility for Title XX social services). For noncitizens arriving after the date of enactment, means-tested discretionary programs and, during the first 5 years of residence only, Title XX social services would be affected. However, not restricting benefits for those who arrive after the date of enactment would continue to ignore the letter and spirit of U.S. law and immigration policy as it has existed for generations.

42. Refugees should be given time to naturalize before being subject to restrictions. (page 12)

The conference agreement allows refugees and asylees 5 years during which they would be eligible for full benefits. Refugees and asylees arriving after the date of enactment would also be excepted from the broad restrictions that would apply to all noncitizens for their first 5 years in the U.S. Only after their fifth year would they become ineligible for SSI and food stamps. Federal cash welfare, Medicaid, and Title XX social services could be restricted after the fifth year at State option.

43. The Administration has serious reservations about the bill's application of noncitizen provisions to the Medicaid program. (page 12)

The conference agreement is a compromise between the Congressional bills and the Administration. Under the agreement, all noncitizens (including illegal immigrants) will be eligible for emergency medical assistance. For current residents, Medicaid would remain available at State option until the noncitizen naturalizes. For noncitizens arriving in the future, Medicaid would be restricted during their first 5 years in the U.S., and then would be available at State option until the noncitizen naturalizes. In addition, all residents, regardless of immigration status, are eligible for preventive health measures such as immunizations as well as treatment for communicable diseases. Again, all noncitizens enter the U.S. on the understanding that becoming dependent on government assistance prior to naturalizing is a deportable offense. This is a requirement of current law -- and has been for well over a century. The Administration's reservations about the conference agreement on this and related noncitizen issues is effectively a concern about the fact that Congress intends to enforce current law provisions that have gone unenforced for too long.

44. Sponsorship agreements should be legally binding. (page 12)

The conference report is identical to the Administration position.

45. If the conference agreement adopts a blanket ineligibility rule, it should be time limited. (page 12)

The conference agreement follows the Administration's recommendation. The blanket ineligibility rule adopted by the conference applies only to noncitizens arriving in the future and then only for 5 years. After the fifth year, only SSI and food stamps would remain restricted until citizenship is achieved.

46. Any blanket ineligibility rule should include exceptions for certain classes and programs. (page 12)

Again, conferees adopted a provision consistent with the Administration's recommendation. Under the conference agreement, refugees, asylees, those whose deportation has been withheld, and veterans and active duty military (including their spouses and dependents) would be excepted from restrictions affecting noncitizens arriving after enactment. For current residents, and with regard to SSI and food stamps, noncitizens who have worked in the U.S. for at least 10 years would be added to the above list of excepted classes. The conference agreement also makes exceptions so that noncitizens would continue to be eligible to receive: emergency medical services, disaster relief, immunizations, school lunch and child

nutrition, foster care and adoption assistance, programs to protect life and safety, and education benefits including college student loans and grants.

47. Any broad ineligibility rule should not apply to legal immigrants now receiving benefits. (page 13)

The conference agreement follows the Administration recommendation by making the 5-year ban prospective only; i.e., applying its restriction only to noncitizens arriving in the U.S. after the date of enactment.

48. Limit deeming to only the programs that now require it: cash welfare, SSI and food stamps. (page 13)

Conferees do not agree to the Administration position on deeming. Conferees in both the House and Senate believe that sponsors should be held to their word of supporting noncitizens. For this reason, it makes sense to require the noncitizen to turn first to the sponsor's resources before demanding that benefits be paid by taxpayers. Failing to require deeming for a broad array of programs (with the exceptions described above) effectively absolves sponsors from the requirement they have agreed to uphold and forces higher spending and taxes on American citizens.

49. Do not broaden the scope of deeming. (page 13)

The conference agreement recognizes this Administration concern and specifically exempts from deeming programs that protect public health and safety such as immunizations, emergency medical services, and other programs specified by the Attorney General.

50. Deeming should not extend past the date of citizenship. (page 13)

The conference agreement follows the Administration recommendation that deeming extend only until citizenship.

51. The disabled should be exempted from deeming. (page 13)

Conferees opted not to except disabled noncitizens from the deeming requirement for the same reasons described above: sponsors should be held to their word of supporting noncitizens. Noncitizens should turn to the sponsor's resources first before receiving benefits paid by taxpayers. Again, failing to require deeming would effectively absolve sponsors from the requirement they have agreed to honor and force higher spending and taxes on other citizens.

52. Affidavits of support should be legally binding and apply to the full deeming period. (page 13)

The conference agreement follows the Administration recommendation, both on making affidavits legally binding and on barring sponsorship requirements after the sponsored noncitizens has naturalized.

53. Current deeming formulas should be retained. (page 14)

Conferees disagree with the Administration position on deeming formulas. Being a sponsor is a responsibility that potential sponsors should consider seriously. For too long, a basic principle of American immigration policy -- that noncitizens who cannot support themselves should not be permitted entry -- has been severely undermined by ineffective sponsorship conditions. The conference agreement does not retain current deeming formulas because the noncitizen should be considered an added family member to whose welfare the sponsor is completely devoted. To deem less than 100 percent of the sponsor's income would be to base policy on the principle that a sponsor is less than fully responsible for the immigrant's well-being. Continuing current law exceptions would blur the sponsor-immigrant link, require higher taxes and government spending, and work against the goal of strengthening sponsorship.

54. Do not broaden the number of programs that must verify legal status. (page 14)

The conference agreement does not follow the Administration's recommendation on verification. Conferees require the Attorney General to adopt regulations to verify the lawful presence of applicants for Federal benefits within 18 months. States would then have two additional years -- up to a full 42 months after enactment -- to establish verification systems. Conferees share the Administration's concern with regard to the cost of administering verification procedures. However, greater costs are incurred by taxpayers today when benefits are indiscriminately dispensed, including to illegal immigrants. Failing to determine immigration status creates an incentive to illegally enter the U.S., undermining our immigration policy, national security, and the interests of poor Americans who may compete with illegal immigrants for limited taxpayer benefits. Effective verification of legal status is an essential component of the conference agreement's policy of targeting most Federal welfare benefits to citizens and taxpayers.

55. Change the definition of "lawfully present" for purposes of benefit eligibility. (page 14)

Conferees followed the Administration recommendation and replaced the concept of "lawfully present" with a determination of whether noncitizens are "qualified" or "not qualified" for benefits.

56. States should provide certain welfare benefits to legal immigrants. (page 15)

The conference agreement follows the Administration's recommendation so that noncitizens continue to be eligible for basic benefits such as emergency medical care, disaster relief and other essential services.

57. States should not be allowed to bar certain classes of noncitizens from certain programs. (page 15)

Conferees adopted a policy consistent with the Administration's recommendation in that States are barred from limiting the eligibility of certain classes of noncitizens, including refugees and

veterans.

58. Do not require Federal agencies to report frequently to the Immigration and Naturalization Service. (page 15)

The conference agreement is inconsistent with the Administration position on agency reporting. Conferees believe it essential to the promotion of sound immigration policy that government agencies report information about known illegal immigrants to the Immigration and Naturalization Service. Especially when illegal immigrants are known to be receiving taxpayer-paid benefits, it makes no sense for government agencies to fail to share this information.

59. Provide funding for evaluation of State welfare reforms. (page 15)

The conference agreement follows the Administration suggestion by including \$15 million in entitlement money for evaluation.

60. The Secretary should have the authority to fund evaluations of ongoing waiver demonstration projects. (page 16)

Consistent both with the Administration recommendation and the text of both the House bill and Senate amendment, the Secretary will have the authority to help fund evaluations of ongoing State demonstration programs that she determines to be potentially informative. In fact, the Secretary has very broad discretion to fund, or partially fund, evaluations of ongoing projects or evaluations of any interesting reforms States might undertake in the future.

61. Support the national random-sample study of welfare families. (page 16)

In accord with the Administration position, and with the original text of both House and Senate provisions, the conference agreement retains \$10 million per year, and extends the funding through the full 7 years of the budget period, to provide the Census Bureau with funds for a national study of low-income families. By building this study on the highly regarded Survey of Income and Program Participation (SIPP), we will be able to trace the impact of welfare reform on poor and low-income families and children over an extended period. This study constitutes the broadest, and arguably the most reliable, evaluation of a major social reform ever undertaken. It is in many respects the anchor of the elaborate research, evaluation, and accountability mechanisms that Congress, in consultation and cooperation with the Administration, has built into the welfare reform legislation.

62. Continue the current staff levels at the Department of Health and Human Services and other Federal agencies. (page 16)

Conferees did not agree to the Administration recommendation to continue paying for a large bureaucracy at HHS and other agencies. Rather, because block grants are much easier to administer than the hoard of categorical programs that now beset the Federal government, it seems reasonable to reduce the number of Federal bureaucrats both in the nation's capital and in the regional offices. In view of the Administration's concern about this matter, however,

conferees did agree to spread the reductions out over a 2-year period.

63. The bill should contain strong general measures for ensuring fiscal accountability. (page 16)

Consistent with the Administration's concern, conferees have retained the fiscal accountability already found in both the House bill and Senate amendment. All the block grants would fall under the terms of the Single Audit Act and would therefore be subjected to periodic audits. We consulted widely with Administration officials and with State officials in selecting this approach to maintaining fiscal accountability. We also consulted with the General Accounting Office (GAO) about whether the Single Audit Act would provide the fiscal accountability we were seeking. Because GAO is the leading Congressional authority on budget and accountability issues, we accept their judgment that the Single Audit Act has a strong track record of assuring that States use Federal dollars in the manner in which Congress intended.

64. HHS should retain authority over selected measures of accountability. (page 16)

Again in accord with the Administration recommendation, we preserved the HHS Secretary's authority to enforce the bill's work standards. In addition, at Administration request, we have added language giving the Secretary authority to ensure that State data reporting meets high standards.

65. States should report extensive data on a disaggregated basis. (page 16)

Consistent with the Administration recommendations, we have developed a comprehensive plan of State data reporting. As officials at HHS will inform you, we consulted with them directly on several occasions since last January, including one formal meeting and numerous phone conversations and memos during the conference proceedings. We have also consulted with outside experts, experts at the Congressional Research Service, and professional staff of both the House and Senate. The result is a very extensive and detailed system of State reporting requirements about activities supported by all the major block grants (cash, child protection, and child care). If the Administration and Congress can work together to insure that States continue improving their data collection and reporting, we will be able to trace in detail the impact of our welfare reform provisions as States implement their programs over the next several years. As recommended by the Administration, we have also retained and even expanded the Senate requirement that States report substantial amounts of data on individual families (as opposed to aggregate data).

66. Remove the authority for counties to conduct a separate program under the Temporary Assistance for Needy Families block grant. (page 17)

Consistent with the Administration recommendation, conferees decided to drop the Senate provision that would have allowed selected counties to operate their own Temporary Assistance for Needy Families block grant program.

67. Retain the current requirement that the elderly become eligible for SSI benefits at age 65. (page 17)

We did not follow the Administration recommendation on retaining the age 65 eligibility for Supplemental Security Income. Our policy, of course, reflects an important difference in principle between Congressional Republicans (and many Democrats) and the Administration. Given changes in medical science and practice in recent decades, Americans are not only living longer but also are vigorous and autonomous well into their eighth decade. Thus, given the realities of financing the nation's numerous and effective programs for the elderly, we simply must begin defining "elderly" as an age beyond 65. It was our impression, based on previous legislation, that this principle had been accepted by both Washington and the American people. It is a shame to now begin protecting exceptions to proper, necessary, and settled Federal policy that enjoys wide support among the American people.

68. Provide additional funds for drug treatment and place the funds in the Substance Abuse Prevention and Treatment block grant. (page 18)

We agree with the Administration on both points. First, we retain the funding level for drug treatment in the House bill. Second, we place the funds in the Substance Abuse Prevention and Treatment block grant as was done in the Senate amendment. Direct funding was retained.

69. ~~Allow but do not require States to continue ongoing waiver projects.~~ (page 18)

In accord with the Administration position, we retained the Senate amendment's language permitting States with waivers either to continue operating or to terminate the waiver.

70. Require States to pay cost overruns that result from terminated waivers. (page 18)

Conferees did not agree to the Administration request to force States to absorb the costs of waivers that may have been recouped in later years. There is merit in both the Administration position and in the position adopted by the conferees. In the end, conferees felt that the best approach, given the substantial task States face in designing and implementing effective reform programs, is to resist the temptation to make States pay debts from the past. The Congressional Budget Office estimates that this decision will cost the Federal government a total of about \$50 million.

71. Retain the worker displacement provision in the Senate amendment. (page 18)

Conferees agreed to the Administration request to retain the displacement provisions in the Senate amendment. In accord with this provision, States will not be able to place adults in welfare-to-work programs in jobs that are vacant because of layoffs.

72. Include provisions that ensure accountability by both governmental and nongovernmental agencies. (page 18)

The Administration's recommendation here is somewhat abstract. We entirely agree that "a broad range of nongovernment organizations could be engaged in providing significant amounts of taxpayer-funded public assistance to the poor" and that vigilance will be required to insure that money is not wasted or spent improperly. We assume that abuses will be

caught by the audits and that poor performance by contractors will be implied by the data States must report to the Federal Government. Even so, additional measures may be necessary. Your letter, however, contains no specific recommendations. If you have some, let us know.

73. States should be required to consult with local government and private sector organizations. (page 19)

In accord with the Administration position, conferees included language in the conference agreement requiring States to consult with "local governments and private sector organizations" while developing their State plan. States must make the report available to these organizations and allow the organizations at least 60 days to submit comments on the plan.

74. Do not require organizations that receive Federal funds to disclose this fact in advertising designed to promote support or opposition to a Federal, State, or local policy. (page 19)

Conferees did not agree with the Administration request to drop the Senate provision requiring organizations that receive Federal funds to disclose such receipt in any advertising intended to promote public support for or opposition to any policy of a Federal, State, or local government. The Administration argument that other programs are not required to meet this provision might be interpreted as a reason for extending the requirement to these programs. On the merits, conferees believe in full disclosure. This principle pervades Congressional action this year, most notably in requiring that lobbyists provide a great deal of information about their activities to the public. Any organization that lobbies Congress should be obliged to disclose their financial interests to audiences that are the target of their message.